The selection of entry modes when penetrating a foreign market

—A research study on the education institutes choice of entry mode

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Abstract

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Entering a new market is always a risky business, with a big potential of failure. To research the options of entry strategy can help in determine which strategy to use. The international market of education has changed during the last years, and in Sweden we just had one big change when the introduction of tutoring fees was determined. This has forced the universities out on unfamiliar territory. This new territory consists of competing on a much bigger market than before and the need to develop a new international marketing strategy has occurred. The research on entry modes from a manufacturing perspective is extensive and therefore this research deals with the entry modes from a service perspective. The aim of this study is to gain better understanding of the selection of entry modes from a service institutes perspective. Furthermore the research is limited to investigating the education sector and how they use entry mode when wanting to establish them on a new market.

The research is done through seven different interviews. The universities are located both in Sweden and abroad. This method where chosen because the goal is to find out how the universities is enter new markets.

The findings are based on the factors that determined international marketing strategy and how the respondents have answered the questions. How the universities work with the changes they experience is also a factor in the decision making process on which international strategy to use. The main findings of the study are that the entry mode education institutes most often use is some sort of international joint venture.

Keyword
Educational sector, entry barriers, entry modes, international marketing strategy and service industry
# Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>LSE</td>
<td>London School of Economics and Political Science</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>SDS</td>
<td>Study Destination Sweden</td>
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<tr>
<td>LNU</td>
<td>Linnaeus University</td>
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<td>UCAS</td>
<td>University and Colleges Admissions Service</td>
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1. Introduction

Background

Problem discussion

Purpose

Delimitations

The introductory chapter, which intends to give the reader background information to the chosen topic and to create an understanding to the purpose. Finally the delimitations are presented.
1. Introduction

1.1 Background

We are living in a changing world where globalization is a well known and recent phenomenon in human history (Johnson 2002:428; Binsadi & Ekwulugo 2003:318). Globalization can be seen as an ongoing process, which creates new ideas, identities, competition, practices, values and movements according to Sethy (2008:29) and (Johnson 2002:428). Globalization can lead to different consequences depending on which perspective you look from. When it comes to the education institutes the consequences are competition on an international market (Hemsley-Brown & Optatka, 2006:316); (Ivy 2001.276). The consequences that the students face when education institutes start to compete on a global market are the many options to choose from. The options they have to choose from can be what university, type of education, how long and how difficult but from an international market. The way we do business has been altered due to technology development and global competition according to Madok (1996:39). Globalizations has started to change the educations institute competition, they now need to compete on an international level according to Armstrong (2000:2).

The topic of entry modes has been discussed by researches for decades; Root (1987) was one of thus that tackle the field of entry modes. Authors like Anderson & Coughlan, (1987) and Klein & Roth (1990) continued the research on entry modes from a manufacturing perspective. This standpoint about entry mode has had a great impact on the research during the years that followed. In the middle of the 1990 the researchers began to shift their focus from not just manufacturing but also a service perspective, the change of focus were a result of the incensement in the service sector. Erramilli & Rao, (1993) was one of thus that began the entry mode research from a service perspective. Entry mode research from a service perspective is still limited and need more studies before it can be regarded as reliable. With the research on entry mode one more field where born and that where entry barriers.
In 1959 Bain started to research this topic and recent research on the subject has been conducted by Porter (2003), McAfee, et al., (2004) & Gable, Topol, Mathis and Fisher (2010). Most of the research done on entry barriers is from a manufacturing perspective.

1.2 Problem discussion

Due to globalization process the game is changing, competition is increasing (Sethy 2008:29) and both manufacturing companies and service firm are going in to an international market (Grönroos 1999:290) and an international marketing strategy is no longer a choice but a necessity. To go in to a new markets successfully the companies need a strategy, and that is where international marketing strategy come in. International marketing strategy is an area under discussion that has fascinated many researchers throughout the years, Bradley (2005), Erramilli & Rao (1990); and Terpstra (1987) to mention a few. Bradley (2005:2) describes it like “the distinctive attribute of the strategic development of the firm in international markets is that the firm transfers products, services, technologies, and ideas as intellectual property, tangible and intangible assets, across national borders”. The process of which firms go international is internationalization; according to Johanson & Vahline (1977:23) internationalization is a process in which firms gradual increase their international involvement.

Education institutes have gone from competing within the domestic market to an international marketplace according to Armstrong (2000:2). Who they compete with as also changed from just education institutes to new type of for-profit and non-profit organizations, this change is happening right now (Armstrong 2000:2). Hemsley-Brown & Oplatka (2006:317) have seen that the education institutes have started to implement the marketing theories that have been successful in the business world.

The research that has been conducted on international marketing strategy is in many cases directed towards manufacturing companies (Sanchez-Peinado, & Pla-Barber 2005:216; Grönroos 1999:291). Because of that more research on international marketing strategy from a service perspective need to be conducted (Erramilli & Rao 1990:20).
Grönroos (1999:291) points out that the international marking service is a considerable part of the global market. The service sector is of increasing importance to Swedish economy, 75-80 percent of the GDP is the service sector (http://www.sweden.gov.se), and the service sector is also big in the rest of the world (http://www.worldbank.org). Despite these numbers most service firms do not market their business internationally (Winsted & Patterson 1998:294). The technological advancements we have today make it possible for companies to reach customers in a different location then themselves and to provide them with a competitive service (Winsted & Patterson 1998:294). Even so most developed countries still have considerable potential to increase their export of services (Winsted & Patterson 1998:294).

On the international market there are many companies that are competing for the customers’ attention and loyalty. When a company decides to enter a foreign market there are several crucial decisions that need to be made (Sanchez-Peinado, & Pla-Barber 2006:215); (Anderson & Coughlan, 1987:71); (Klein et al 1990:27) on how to choose entry mode. To make the wrong choice regarding entry mode can have significant and far-reaching consequences for the firm’s survival (Ekeledo & Sivakumar 2003:68). Researchers have long discussed the different entry modes and tried to understand how it works in a complex environment (Erramilli & Rao 1993:19). Furthermore they have also attempted to figure out what is the best entry mode option it is for international service companies (Blomstermo et al., 2005:211; Contractor et al. 2003:9), but the conclusion of the research are not coherent.

Connected to this is the framework of entry barriers (Bain 1956:3 and Porter 2004:7). Barriers to entry are things that can stop a entrants on an new market Gable et al., (2010:211). Even with carefully planning is seldom easy to enter a new market. The firm can only plan their entry with the information at hand, because it is rarely so that all information is available (Pehrsson 2009:17). If you do not have all information it is hard to foresee all difficulties you might encounter. The barriers are the disadvantages the new firms have in comparison with the incumbents firms (Gable et al., 2010:211).
1.3 Purpose

The purpose of this thesis is to gain better understanding of selections of entry modes from a service institutes perspective.

1.4 Delimitations

To accomplish a deep and satisfactory study only entre modes from a service perspective are studied, due the gap in this research, and that it is an upcoming sector that needs to be more investigated. Furthermore the research is focused only on education institutes Entry barriers are not the important part in this research therefore it not all entry barriers investigated in this study. This is because the focus is one entry modes and the time were not enough to do a thoroughly study on entry barriers.
2. Theoretical framework

International marketing strategy
Entry mode
Export modes
Contractual Entry modes
Investment entry modes
Entry barriers
Discussion
State of the art
Research Question

The object with this chapter is to introduce the reader to the research area and to give a theoretical base for the empirical and analysis chapter. The aim is to explain the complex topic of international marketing strategy and entry modes. The chapter ends with a state of art discussion and the research question.
2. Theoretical framework

2.1 International marketing strategy

According to Hill (1997:5) the globalization of markets is argued that we are moving away from the economic systems where markets are seen as a distinct unite. They are isolated from each other by things like trade distances, trade barriers, culture and time, now we are moving towards a global marketplace. There are several reasons that trigger globalization according to Porter (2004:287), and it can be technological advancements, decrease transport and storage costs, an identification of new target segments and no need to customize products to other markets because the markets are similar. Bradley (2005:1) describes international marketing like “the distinctive attribute of the strategic development of the firm in international markets is that the firm transfers products, services, technologies, and ideas as intellectual property, tangible and intangible assets, across national borders”.

Authors like Porter (2004:287), and Bein (1956), among others, all contribute to the research done on international marketing strategy. Researchers such as Trepstra (1987:47), Hill (1997:489), Doole & Lowe (2004:5), Zou & Cavusgil, (2002:40) connects international marketing strategy with international marketing or global marketing. According to Doole & Lowe (2004:5) "The complex level, it involves the firm in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe".

Sanchez-Peinado & & Pla-Barber (2006:216) states that service companies has become a force in the global economy and that they now represent a forcefully sector. The service sector has during the recent years increased their overseas investments drastically and that is why the sector is growing (Sanchez-Peinado & & Pla-Barber 2006:216). It is questioned if the concept, theories and practices from entry modes strategies from a manufacturing perspective are applicable to the service industry (Ekeledo & Sivakumar 2003:69).
Competition

The flow of goods and investments has had a large impact on globalizations, although even more so the flow of ideas and knowledge has had the greatest impact on people (Johnson 2002:428). According to Kim, et al. (1997:112), the globalization of the world’s economy has gotten the attentions of governments and firms due to the fact that the nature of competition has been altered. Every market has now grown in the number of actors’ that are active on the international market. All over the world the educational institutes start to realize that they need to market themselves, because the growing market and increasing competition demands it according to Hemsley-Brown & Optatka, (2006:316) & Ivy (2001:276). Higher education institutes are getting more aggressive in their marketing activities according to Ivy (2001:276). They do this to control and maintain their image towards the public Ivy (2001:276).

Internationalization

Johanson & Vahline (1977:23) & Grönroos (1999:291) state that internationalization is a process in which firms gradually increase their international involvement. Furthermore it is said that it is reasonable to assume that this process influence the pattern and pace of internationalization a firm. Bradley (2005:2) has many reasons for internationalization and some examples if those are; better opportunities abroad, shortening product and technology lifecycles, excess capacity and desire to fallback customers and competitors abroad. Terpstra & Yu, (1988:33-34) and Agarwal & Ramaswami (1999:4) claims that the same factor that influence the entry mode in manufacturing firms is the same for service firms. However there are authors like Erramilli (1990:59); Erramilli & Rao, (1993:24); Grönroos (1999:292); Ekeledo & Sivakumar (2003:69) & Brouthers & Brouthers (2003:1180) that claim that entry mode for manufacturing companies cannot be transferred to service companies. Erramilli, (1990:59) states that it is the service companies’ type of service that decides if the company can use the same entry mode as a manufacturing firm.
2.2 Entry mode

Today we have a global market and with this we get global competition. This means that more and more companies decided to go in to new markets (Porter 2004:287), and this demands the right type of action to be successful. A foreign market entry mode is "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country" (Root, 1987:5). When a company decide to go in to a global market most often it is because there is economic or other advantages that make them (Porter 2004:277). According to Anderson & Coughlan, (1987:71); Klein & Roth (1990:27) & Sanchez-Peinado, & Pla-Barber (2006:215) deciding to enter a new foreign market comes with a crucial decision to make. The decision that has to be taken is what the appropriate mode is for organizing our foreign business activities (Hill, et al. 1990:117; Klien & Roth 1989:27). Furthermore this decision is crucial since it can have a significant impact on the business international performance for a long time (Anderson & Coughlan, 1987:71; Klein & Roth 1990:27). In Hill et al., (1990:120) article it is suggested that entry mode decision is influenced by three different variables; strategic variables, environmental variables, and transaction-specific variables. The environmental variables can be things like; variables relating to country risk, location familiarity, and the demand and competitive conditions that exist in the host market. The strategic variables are whether or not the firm shall adapt the product to the foreign market or if they can have the same product. Due to the similarities between the countries this variables is of less important at this time. The transactions specific variable stresses the importance of firm-specific advantages in know-how when explaining the competitive advantage Hill et al., (1990:120-125). According to Johanson & Vahlne (1977:29) the decision on what entry mode to implements is due to companies’ current state, companies past experiences, stability, access to resources and structure of the target market.

Grönroos (1999:291) states that the traditional ways for a service firm to enter a new market is to follow their manufacturing customers that they are supplying with a service on the domestic market.
The development has moved forward and that has made service firms less depending on local operations to internationalize due to new technologies for electronic commerce (Winsted & Patterson, 1998:294). Even if the service sector is regarded as an important part of the global economy, the research on international context is limited according to Sanchez-Peinado & Pla-Barber (2006:216) & Grönroos, (1999:291).

It is questioned if the concept, theories and practices from entry modes strategies from a manufacturing perspective are applicable to the service industry (Erramilli 1990:59; Erramilli & Rao, 1993:24; Ekeledo & Sivakumar 2003:69; Grönroos 1999:292 & Brouthers & Brouthers 2003:1180). The prevision research that has been done suggest that the service sector is less capital intensive comparatively to manufacturing companies (Grönroos 1999:292) but also that varies across service industry (Erramilli & Rao, 1993:24).

According to Ekeledo & Sivakumar (2003:70) the two major theories’ on international entry mode is the internalizations theory and the eclectic theory. This is because they are the best-known theory and have empirical support. According to Madhok, (1997:39) & Ekeledo & Sivakumar (2003:70) internalization theory is the same thing as transaction cost theory. The internationalization theory is an industrial organization-based theory. They assume perfect competition, mobility of resources among firms and homogeneous firms that is including perfect transferability of know-how between companies and their partners (Erramilli 1990:51 & Ekeledo & Sivakumar 2003:71). The internalization advantage is a contractual risk that makes controlling the foreign partner through FDI more valuable than licensing a local firm according to Ekeledo & Sivakumar (2003:72). This theory is questioned because it is not appropriate to compare FDI with exporting (Ekeledo & Sivakumar 2003:72).

The eclectic theory was developing due to the short comings in internationalization theory that focuses on location, ownership and internalization advantages. The ownership advantage refers to helping the foreign firm to overcome the disadvantages of competition against local firms Dunning (1980.11) & Erramilli, (1990:51).
The market potential and country risk that make it profitable to do business on a foreign market Ekeledo & Sivakumar (2003:72). Furthermore it is not good because it do not recognize strategic consideration like capability enhancement. But this theory does not explain why two firms with similar ownership, internalization, and location advantages may not choose the same entry mode. The recourse-based theory views the firm and not the industry as the source of competitive advantages Ekeledo & Sivakumar (2003:72). The theory recognized the fact that the resources are both heterogeneous across firms and is affected by imperfectly mobile.

Many existing studies about foreign entry modes have identified several variables that can have an effect on the decision on which entry mode to chose according to Chung & Enderwick (2001:444); Sanchez-Peinado, & Pla-Barber (2006:215). Entry modes can be differentiated by level of control, commitment, resource and risk involvement according to several authors (Anderson & Gatignon, 1986:3; Klein & Roth 1989:27; Hill, et al. 1990:118; Blomstermo et al., 2005:212). According to Blomstermo et al., (2005:212) control is the single most important factor that determines both risks and returns of the performance of the investment abroad and the amount of frictions in the relationship between sellers and buyers (Brookes & Roper 2010:1500). They define control as the firms’ ability to influence the various management systems the organization have. If they control this they have the ability to try to improve their competitive position and maximize returns on firms’ assets (Brookes & Roper 2010:1500). In wholly owned subsidiary the level of control is the highest and licensing has the lowest level of control (Hill et al. 1990:118 and Sanchez-Peinado & Pla-Barber 2006:218). Recourse commitment is explained as fallowed; it involves devotion of assets to specific use or that either fixed or difficult to reallocate without very large costs (Hill et al. 1990:118-119 and Sanchez-Peinado & Pla-Barber 2006:218). Blomstermo et al., (2005:212) say that control from a service perspective means that supplying timely and good quality service to international clients. Firms that want to enter a new market have a variety of entry modes to choose from. According to Root (1994:6) they can be divided in to three groups.
The first group is entering new markets through export modes and that include indirect and direct exporting, direct agent/distribution, and direct branch subsidiary and other. The second group is contractual entry modes; licensing, franchising, technical agreements, service contracts, management contracts, construction/turnkey contracts, co-production contracts and other. For the last one that is called investment entry mode includes sole venture: new establishment, sole venture: acquisition, joint venture: new establishment/acquisition.

### 2.2.1 Export modes

Exporting is commonly used when someone talks about export mode in general. According to Chung & Enderwick (2001:443) one of the most common options are export modes. In the literature written by Root (1994:5) he states that export modes consist of indirect entry, direct agent/distribution, direct branch subsidiary and other. Bradley (2005:225) speaks about exporting in general terms as the quickest way and also the easiest way of entering a new foreign market. This approach is initially used to gain knowledge and experience of the new market (Chung & Enderwick 2001:443; Porter 2004:277). When a company decides on their entry mode they also choose level of commitment, resources and risk involvement (Anderson & Gatignon 1986:3; Erramilli & Rao 1993:19 & Chung & Enderwick 2001:443).

**Exporting**

In Chung & Enderwick (2001:443) article it is said that the exporting is a low commitment of resources & Low investment choice. It has the disadvantages with low profit return and little control over the firm. After the companies gain the knowledge and experience the needs from the host country that can now try to increase their presents in the new market and start to use other export strategies (Chung & Enderwick 2001:444; Bradley 2005:227). Bradley (2005:226) states that exporting can be a part of continuum of increase commitment to internationalization.
Indirect entry

Root (1994:7) & Albaum & Duerr (2008:308) explains indirect export as when the exporting manufacturer uses a firm in the domestic country to do the exporting for them. This can according to Root (1994:57) be seen as a good way of gain knowledge about a potentially interesting market. The negative effect of the entry mode is that the company has no control over the international market entry strategy and it does not allow the firm to have their own entry strategy either.

Direct exporting

Direct exporting occurs when the producer sells directly to the importer or buyer located in a foreign country (Root 1994:57; Albaum & Duerr 2008:321). With this type of entry mode very little or no knowledge about the foreign market is needed from the manufacturers’ point of view (Root 1994:57). This entry mode has three advantages, the first one is partly or fully control over the foreign market plan, the second on are concentration of marketing effort on the manufacturers product line. Third advantaged is quicker feedbacks information from the target market, which can help adapt the product faster. The last advantage according to Root (1994:57) is better protection of trademarks, goodwill, patents and other intangible property. One requirement for this entry mode is that the exporter needs to learn the procedures and documentation of export shipments and the international payments arrangements to be able to use this mode.

The direct exporting mode is connected to the following entry strategies, direct agent/distribution and direct branch subsidiary according to Root (1994:7). Direct branch subsidiary requires an equity investment in the marketing institutions located in the target country. Because the entry mode means that the producer has its own marketing units operating in the new country (Root 1994:7; Albaum & Duerr 2008:325). Furthermore Albaum & Duerr (2008:325) also describes this procedure but under different names, as foreign sales branch. Direct agent/distribution exporting is described as when the middleman in the foreign country handles all the marketing for the producer (Root 1994:7).
2.2.2 Contractual Entry modes

These types of entry modes consist of several similar, but get different contractual arrangements between the firms form the domestic market and the company that licenses the intangible assets in the foreign market (Root 1994:86, Bradley 2005:243).

Root (1994:86) mention licensing, franchising, technical agreements, service contracts, management contracts, construction/turnkey contracts, co-production contracts and other. As a firm you go in to some sort of partnership with another firm which is located in a different market then yourself. In Albaum & Duerr (2008:373) they refer to licensing, contracting and joint venture as strategic alliances, which help enhance their leverage on the marketplace. The goal is to enhance the long-run competitiveness for the partners in the alliance and it is built on the belief that each party has something unique to contribute to the partnership. For this to work it must be mutual benefits, shared control and power (Albaum & Duerr 2008:373).

Licensing

Root (1994:86) describes licensing as transferring intangible assets that are not a subject for import restrictions. Licensing is when a firm provides others companies on a foreign market with technology that they need, for e fee or royalty (Bradley 2005:243). This form of licensing involves one or a combination of brand name, operations expertise, manufacturing process technology, access to a patents and trade secrets according to Bradley (2005:243). The firm who is in a licensing partnership gain access to a foreign market with very low investment cost and obtains the market knowledge from establish and competent local firm according to Bradley (2005:243); and Root (1994:86). This way is favorable when the desired market has restricted import and foreign direct investment. According to Bradley (2005:243) there are two way of licensing agreements, which are a current technology license and a current and future technology license. The differences between the two are that in the first one only gives access to current technology advancement to the licensee. The second one gives access to existing and future technology development within their agreement field.
Licensing is a choice that minimizes investment risk, gives access to difficult markets, low commitment of recourses and has a high return on investment (Anderson & Gatignon 1986:3; Maskus & Yang 2002:61). The disadvantages like lack of control of licensee operations, possible creation of new competitors and discloser of accumulated knowledge and experience Bradley (2005:244). The companies using this entry mode need to be careful not to get robbed of what is rightfully theirs and then lose the excluding right to it due to high legal costs and unclear laws (Maskus & Yang 2001:61).

**Franchising**

Franchising is a derivative of licensing where the business format is licenses instead of the technology (Bradley 2005:246). Bradley (2005:246) also explains that this business form is nothing new, even if it has gained a lot of publicity in recent times. On the other hand it is a well establish way of doing business in United States. Franchising is so called intellectual property right, and intellectual property rights (IPR) are formal regulations which have the power to establish property as intellectual assets. Maskus (1998:186) define intellectual property as; “Intellectual property (IP) is an asset, developed by inventive or creative work, to which rights to exclude its unauthorised use have been granted by law. The international exploitation of IP is central for trade, foreign direct investment (FDI) and technology licensing across borders”. Furthermore Maskus (1998:187-188) states that this type of regulations are needed to protect the vulnerable information from overuse and free-riders. In the franchising packages trademarks, copyright, patents and other things often are included. It is a form of distribution and marketing in which the company gives the other firm the right to do business in their protected way (Bradley 2005:246). According to Maskus & Yang (2001:61) they should not license to countries where the IPR laws are weak, due to the risk of losing their advancements to competitors.
Contract Manufacturing

This entry mode is a cross between licensing and investment entry according to Root (1994:113); Albaum & Duerr (2008:380). The company contracts a firm in the foreign market to assemble or manufacture the products but they still have the responsibility for marketing and distribution of the products according to Root (1994:113);

Albaum & Duerr (2008:380). This entry mode requires minimum investment of cash, time and executive talent; it also provides fast entry to a new market Albaum & Duerr (2008:380). On the other hand it also has potential as formidable drawbacks like: training of potential competitor that have access to know-how and high quality products (Root 1994:113), more over the profit from the manufacturing is transferred to the contractor.

Management contracts

The international management contract gives the company the right to control the day-to-day operations in a firm located in a foreign market. Often this contract do not give them the right to take decisions on new capital investment, policy changes, assume long-term debt or alter ownership arrangement according to Root (1994:114); & Albaum & Duerr (2008:383). When a manufacturer want to enter a management contract they seldom do so isolated from other arrangements (Root 1994:114).

Turnkey construction contracts

A special form of management contract is according to Albaum & Duerr (2008:383) turnkey operations. Root (1994:113) calls it the turnkey construction contracts and it carries the standard construction contract to the next level. The client acquires a complete operation system together with the ability and skills to operate the system. This entry mode typical call for construction of plan, training of personnel, and the initial operations of the plant form a local investor (Albaum & Duerr 2008:383). According to Root (1994:113) one important part of this entry mode is the negotiation about the contract because it is not possible to use a standard contract due to that every project is unique.
2.2.3 Investment entry modes

An investment entry mode has many names like sole venture (Root 1994:6), Foreign Direct Investment (FDI) Chung & Enderwick (2001:443), solely owned subsidiary Agarwal & Ramaswami (1992:3) and wholly owned subsidiary Chung & Enderwick (2001:444). Both in Chung & Enderwick (2001:444) and Agarwal & Ramaswami (1992:3) articles sole venture, FDI, solely owned subsidiary and wholly owned subsidiary is connected under the same headline, investment entry modes.

A large investment in a new country can be done sole venture with new establishment or sole venture acquisition and also joint venture according to Root (1994:6). The sole venture mode is a high investment that also brings high risks and possibility to high returns (Agarwal & Ramaswami 1992:3). In sole venture mode, a firm tries to develop a foreign market by directly investing in that market (Agarwal & Ramaswami 1992:11).

Foreign direct investment

The Organization for Economic Co-operation and Development (OECD) define foreign direct investment (FDI) as “a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor” (oecd:7). Foreign Direct Investment (FDI) is a strategy approach according to Chung & Enderwick (2001:444). This entry modes offers a high degree of control over the international business in the host country (Chung & Enderwick 2001:444; Bradley 2005:269). This is high financial commitment mode, but also a transfer of technology, skills, management, manufacturing and marketing, production processes and other recourses according to Bradley (2005:270). To have unique asset or competitive advantage is often important when a firm want to replicate their good business in on other country Bradley (2005:270). According to Faeth (2009:166) & Bradley (2005:270) there are several factors that influence foreign direct investment. Both mention size of the market as one crucial determinant to which market the company shall choose to precede with.
In Chung & Enderwick (2001:444) article it is said that FDI often generate a greater profit return then those generated by exporting. However, FDI modes are also associated with greater risks and imply higher management complexity. Since this is high risk options the companies want to go in to large market to compensate the risk involvement. In Bradley (2005:270) claims that the major determinants for FDI is

- Size of host country market
- Proximity of host country
- Previous FDI experience
- Perceived need to mimic competitors’ actions.

Faeth (2009:187) says that there is not one single theory of FDI, but a variety of theoretical models that try to explain FDI and it determinants. According to Faeth (2009:188) “FDI should not be explained by single theories but more broadly by a combination of ownership advantages or agglomeration economics, market size and characteristics, cost factors, transport costs, protection and risk factors and policy variables. Many empirical studies have already taken that approach, even when focusing on specific theories or aspects of FDI”. In Trepstar & Yu (1988:33) is argued that the FDI framework for manufacturing industries also can be applicable to the service market. Several studies about this subject have been conducted and they all support this statement, (Dunning &McQueen 1982; Seymour, Flanagan and Norman 1985 & Gray & Gray 1981).

**Sole Venture: Acquisition**

Sole venture; acquisition is when a company buys an established business in a foreign market and it has become more popular according to Root (1994:142). The reason for acquire a foreign company can be a mix of the fallowing reasons; geographical changes, the acquirement of specific asset like management, technology, product diversification, sourcing of raw material or other products for sale outside the host country, or financial diversification (Root 1994:142).
When you acquire a company the success depends on the selection process on which company to buy, therefore is the possible advantages not certain according to Root (1994:143). The specific advantages can be a faster start in the new market due to establish firm, new product line and a short payback period due to immediate income for the investors. The disadvantages on the other hand are transfers of ownership and control and hard to evaluate the prospects, but several of the advantages can turn in to disadvantages if it is not handle right.

**International Joint venture**

According to Ning (2008:771) & Shenkar & Zeira, (1987:546) both smaller firms and multinational firms have increased their use of joint venture and other forms of strategic alliances when entry a foreign market. “An enterprise, corporation or partnership, formed by two or more companies, individuals, or organizations, at least one of which is an operating entity which wishes to broaden its activities, for the purpose of conducting a new, profit-motivated business of permanent duration. In general the ownership is shared by the participants with more or less equal equity distribution and without absolute dominance by one party” (Young and Bradford, 1977:11). In Bradley’s (2005:248) book International Marketing Strategy he states that international joint venture is often motivated by the desire of at least one partner want to expand in to a difficult market. Furthermore he also argues that various forms of joint venture are common, for example the spider’s web. That usually means establishing a joint venture with a large competitor. One of the other ways of joint venture is according to Bradley (2005:249) split strategy. It means that for a limited time firms cooperate and then separate after the completion of the project. Joint venture is associated with provide access to resource and market, technology transfer, reduce political risk and help to improve the firms competitive position see figure 1 (Bradley 2005:249).
International joint ventures have the benefit of provide economies of scale (Bradley 2005:250). Avoidance of interfirm contracting, transactions and negotiations costs, it can be an attractive way of enhancing capabilities when the development of know-how is to slow according to Madok (1997:44).

It is less expensive than a acquisition, risk minimizing due to the partnership with local firm and profit and return can be greater than with a some of the other investment modes (Albaum & Duerr 2008:385). Joint venture can suffer from management problems and bad performance Nippa et al (2007:277). One down side with joint venture is that cultural differences can cause difficulties according to Ning (2008:780). The transactions cost is at risk increasing when cultural differences between partners arise and it can also lead to lack of trust according to Ning (2008:780).
Furthermore (Albaum & Duerr 2008:385) also mention that all profit must be shared, lack of and mutual control is one more disadvantages that can arise. Connected to the framework of entry modes we have entry barriers, which are presented below. According to Porter (2004:7) the threat to entering a new market is depending on the barriers to entry that are present together with the reaction from existing companies.

### 2.3 Entry barriers

In the following chapter of the theoretical framework of entry barriers are presented. Bain (1956:3) introduced the concept of “barriers to new competition” and it based on the assumption that competition is the key to the operation of industries. In 1980 Porter (2004:7) discussed the subject of entry barriers and he came up with six major barriers, which need to be taken into consideration when entering a market. Economic of scale, product differentiation, capital requirements, switching costs, access to distribution channels and cost disadvantages independent of scale are the six major entry barriers, but he also mention government policy.

According to Porter (2004:7) barriers can be high or low depending on the status of the possible market. He also stressed the important of structural characteristics to hamper market entry of potential competitors like: technological advantages, economics of scale and absolute cost advantages. According to Gable et al., (2010:211) the term barriers to entry refers to the obstacles that prevent new firms from entering the market. The barriers represent the disadvantages the new comers have in relationship to the incumbents and reduce the likelihood of new entrants in to the market (Gable et al., 2010:211). Entry barriers are a topic that has been discussed and research among economics, from different points of view for a long time McAfee et al., (2004:461). Because of this it has caused confusion among them and they have not been able to reach a consensus over the definition. This has resulted in seven basic definitions on barriers and they are presented in McAfee et al., (2004:461) article. The researchers all include different focus of the concept and different elements and propose to the definition that they recommend.
Table 1: Definitions of entry barrier McAfee et al. (2004:461-462)

<table>
<thead>
<tr>
<th>Definition</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bain (1956:3) definition is: A barrier to entry is an advantage of establish sellers in an industry over potential entrant sellers, which is reflected in the extent to which establish sellers can persistently raise their prices above competitive levels without attracting new firms to enter an industry.</td>
<td>McAfee et al. (2004:461-462)</td>
</tr>
<tr>
<td>Fisher (1979:23) definition is: A barrier to entry is anything that prevents entry when entry is socially beneficial.</td>
<td></td>
</tr>
<tr>
<td>Carlton and Perloff (1994:110) definition is: A barrier to entry is anything that prevents an entrepreneur from instantaneously creating a new firm in a market. A long-run barrier to entry is a cost necessarily incurred by new entrant that incumbents do not (or have not had to) bear.</td>
<td></td>
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</tbody>
</table>

To see the reaming definitions look at appendix 1.

McAfee et al., (2004:461) argues that a combination between the basic definitions of entry barriers will explain entry barriers as obstacles that hinders new firm from establishing them self’s on the desired market.

Around the world there are many companies with the potential to be successful on the global market. But many of them never actually take the step to in to a international market, (Dowle & Low 2004:144). When you enter a new market as a company you can face different entry barriers (also called hindrances, impediments, or obstacles (Winsted & Patterson 1998:297)) all along the way. “Export barriers exist at all stages of the internationalization process, from the pre-involvement and initial stages, to the more advanced and mature stages” according to Leonidou (1995:31). The different barriers you my encounter in your internationalization process will differ systematically depending on which stage you are in (Leonidou 1995:31). In Leonidou (1995:32) article it is stated that all companies are different. Two firms that are experience export barriers in their internationalization process will not perceive them or react to them in the same way.
Neither will they act in response in the same manner to try to solve their problem. Yang et al (1992:87) also disused the lack of knowledge as an significant factor to why companies do not enter foreign markets.

Karakaya (2002:382) have conducted research on entry barriers in manufacturing industry. He found that absolute cost advantages held by incumbent firm is the most difficult entry barrier to overcome (Karakaya 2002:384). That one is then followed by capital requirements to enter markets, incumbents with superior, production process, capital intensity of market and incumbents with proprietary product technology (Karakaya 2002:384). To see the results look at Karakaya (2002) article *Barriers to entry in industrial markets*.

Also Blees et al., (2003:27) have conducted research on the entry barriers; they found that there are 37 potential entry barriers. Culture distance, absolute cost advantages, economics of scale and government policy to just mention a few. In the following part the some of the above mention barrier from Blees (2003:27) are explained more toughly. Blees et al., (2003:27) and Karakaya (2002:382) are barriers seen from a manufacturing perspective and are maybe therefore not applicable as a whole to a service perspective.

**Government policy** is according to Porter (2004:13) one of the major entry barriers. This is because a government can limit or even stop entrants from foreign firms in to a market due to regulations and laws. The conducted research argues that entry barriers can be categories depending on the characteristic. Lutz et al., (2010:21) dived them in to strategic and structural barriers. Gable et al., (1995:211) and Pehrsson (2009:15) have the same differentiation but it is called exogenous and endogenous barriers instead. For more information read Blees et al., (2003) article *Barriers to Entry Differences in barriers to entry for SMEs and large enterprises*.

**Absolute cost advantages** are when the unit cost of the product is higher for the entrants then the incumbents firm. Also the establish firm can offer a lower price than the new comers (Bain 1956:144). The potential source for absolute cost advantages is; lower price for productive factors, control over superior productions techniques, strategic factor especially concerning natural resources and lower interest cost stated by Bain (1956:144-145).
Authors like Brain (1956:53), Koruse (1984:497) Gable et al., (1995:214) and Blees (2003:71) all mention and discusses the topic of Economic of scale. It refers to the relationship between firm size, measured in units of output, and production costs in the broadest sense. Furthermore also the phenomenon of the decline of distribution and production costs per unit of output when firm has excess capacity. If you want to exploit the scale economic to its maximum, the firm’s capacity shall be in level where the cost are minimal (Bain, 1956:15; and Blees 2003:71; Porter 2004:7).

**Cultural distance** is another entry barrier that can have significant impact on the firm’s success (Blees 2003:56). The different attitudes, preference, and a way of doing things that can result in barriers. Communication barriers, different national taste (like food and beverage), distinct way of doing things and mental barriers towards foreign suppliers as just some of the cultural barriers a firm can face (Blees 2003:56). To overcome this the foreign firm need to adapt to the local culture to have a chance to succeed, but it can be hard due to that domestic firms always have the upper hand (Blees 2003:56).

**Structural barriers**

Gable et al., (1995:211) Pehrsson (2009:15) and Lutz et al., (2010:21), talks about structural barriers also called exogenous barriers. These barriers are characteristics in the market structure, and they are difficult to influence in the short and medium perspective according Gable et al., (1995:211); Pehrsson (2009:14) and Lutz et al., (2010:21). Furthermore Lutz et al., (2010:21) argues that structural barriers can reduce the number of entrants through underlying dimensions such as, absolute cost advantages technological advantages and economics of scale. In 1980 Porter (2004:7) discussed the subject of entry barriers and he come up with six major barriers, which need to be taken in to consideration when entering a market. Economic of scale, product differentiation, capital requirements, switching costs, access to distribution channels and cost disadvantages independent of scale are the six major entry barriers, but he also mention government policy.
According to Pehrsson the structural barriers or exogenous barriers include; incumbents’ cost advantages, incumbents’ product differentiation, incumbents’ brand loyalty, capital for the establishment, customers’ switching costs, access to distribution channels, government policy, number of competitors, seller concentration, need for research and development.

**Strategic barriers**

Strategic barriers are discussed by authors like Lutz et al., (2010:22) and Gable (1995:215), sometime they go under the name endogenous barriers. This type of barriers are created by the behavior of the establish firm in the potential market Gable (1995:15) and Lutz et al., (2010:22). According to Lutz et al., (2010:21) strategic barriers are closely connected to strategic management and shall be seen as a resource to create competitive advantages. Furthermore these types of barriers encourage companies to develop strategic that are hard to imitate to make entry difficult. The behavior in establish firm is what create strategic barriers and that can be things like the creation of excess capacity, retaliatory, increased promotional activity and preemptive pricing (limit pricing) according to Gable et al., (1995:215), also Pehrsson (2009:16) agrees with this. Langinier (2004:349) stats that not all strategic barriers work efficiently as barriers but mostly as a restriction to entry, one example of this type of barrier are patents according to Langinier (2004:349). Therefore,

Langinier (2004:359) argue that strategic barriers, such as patents, shall be use on markets with low innovation and less demand because then it is more valuable. According to Leonidou (1995:32) and Pehrsson (2009:17) entry barriers are perceived differently from person to person and from one business to another. Although there are some generally objective facts like, perception are strongly influences by the available information according to Pehrsson (2009:17). To have all available information is a seldom occasion so the managers need to make decision based on their experience and the information at hand. Furthermore this gives the consequence that different judgments of the information and experiences will lead to different entry barriers (Leonidou 1995:32 and Pehrsson 2009:17).
2.4 State of the art

This thesis focuses on how companies choose their entry mode when they have decided to internationalized. On a more detail level the thesis will look at education institutes and how they deiced on entry mode when penetrating a new market.

International marketing strategy is widely discussed throughout the literature among researchers like Porter (2004:287), Trepstra, (1987:47), Bain (1956:3), & Erramilli & Roa (1993:24). Porter has written several books on the topic and he is accepted researcher among others. He is considered to be one of them who created the framework for international marketing strategy from a manufacturing perspective. The research is empirically validated, which is why Porter’s work is viewed as a dominating theory. There is not a commonly accepted definition on international marketing strategy, even if most of them are similar (Bradley 2005:1 & Doole & Lowe 2004:5).

In the conducted research a gap have appeared, and that is that the service sector of international marketing strategy need more research before it can said that the gap are closed. There is some researcher that has begun to study the service sector, like Erramilli & Roa (1993:24) Ekeledo & Sivakumar (2003:69) & Sanchez-Peinado, & Pla-Barber (2006:215). The theory of these researchers in not validated or accepted enough to be seen as a dominating theory or emerging theory it shall be viewed as a gap in the conducted theory. Ekeledo & Sivakumar (2003:69) & Brouthers & Brouthers (2003:1180) claim that the research done from manufacturing perspective cannot be applicable to the service industry. There is no validating or acceptance of this theory so therefore it is seen as a gap.

Entry mode is a topic well validated from a manufacturing perspective by authors like Porter (2004:286), Anderson & Coughlan, (1987:71), Klein & Roth (1990:27) & Hill, et al. (1990:117). They all have conducted empirical research that helps validate their chosen theory. This indicates that the theory about entry mode from a manufacturing perspective is a dominant theory.
Grönroos (1999:291) is well renowned researcher within the service sector, and his research is empirical validated and accepted among others. On the other hand Grönroos (1999:291) has not done so much research on entry modes that his theory can be seen as dominating. There it is a gap theory by Sanchez-Peinado & Pla-Barber (2006:216) & Blomstermo et al., (2005:212) about how companies choose between entry modes. Their research is based on Anderson & Gatignon, (1986:3), it is a good start, but it needs much more empirical validation. Erramilli, (1990:59) & Erramilli & Rao (1993:24) have conducted research on service firm, their work is better validated and accepted among others. The lack of extensive or validating research, on the topic of a service perspective in entry modes indicates that it is gap theory.

Bain (1956:3) theory on barriers to new competition is empirical validated and accepted though out the conducted research, there for it is seen as a dominate theory. Leonidou (1995:31), Winsted & Patterson (1998:294), Karakaya (2002:382) & Blees et al., (2003:27) all have written about the entry barriers of some sort. There are theories on some of the entry barriers can be regarded as dominate for example the economics of scale from Leonidou (1995:31), Bain (1956), Blees et al., (2003:27). Also there are several new barriers from Blees et al., (2003:27) than must be regarded as emerging theories due to the lack of validity.

There is more and more research on the service sector but still the literature on the subject of international marking strategy and entry modes from a service perspective is still limited. So the focus of this thesis is to gain better understanding on how international marketing strategy and entry modes works for service industry and to try to close the gap in the literature. The presented theory leads the research to find the research questions that are stated below.

2. 5 Research question

Which entry modes is a good choice for organizations of higher education to use when entering new markets?
3. Methodology

Research design
Data collection
Sample
Operationalization
Analysis Method
Validity
Reliability

In this chapter the research design of the thesis is presented, thing like the decision making process is explained and how it might have affected the results. How the empirical data is collected is also a part in the methodology chapter. In the end the operationalization process of the interview questions is presented.
3. Methodology

3.1 Research design

Bryman and Bell (2003:25) suggest that research can be done in two different ways; qualitative and quantitative research study. Furthermore they explain qualitative is the focus on the words of the data collection and analysis instead of the number of respondents as in quantitative study, Kvale (2009:46) agrees with this definition. A further distinction is that qualitative is a theory generating viewpoint instead of theory testing as in qualitative research Bryman & Bell (2003:302). Due to the gap in the service sector research a qualitative study will probably give the best result, because there are several authors that claim that research on manufacturing companies are not applicable to the service industry (Ekeledo & Sivakumar 2003:69). According to Kvale (2009:15) a conversation between people is a way of getting to know each other, and qualitative research is about getting to know the people and phenomenon that you are studying.

3.2 Data collection

According to Bryman & Bell (2003:19) data can be classified in to two types; primary data and secondary data. Primary data is the data that is collected with the aim of answering the research question. Secondary data is what others have collected before in the research area according to Eliasson, (2010:53). Both types of data are used in this thesis, through extensive research and contacts they were obtained. The secondary data that I have used is for example reports from the national agency for higher education. The primary data were collected from telephone interviews.

Data collection can be done in surveys, experimental study, observation and interviews of some sort according to Bryman (1997:8). Observations and interviews are common in qualitative research, surveys and experimental studies are more common in qualitative research. According to Bryman & Bell (2003:341) interview is the most widely used qualitative research method, this is due to the flexibility of the interview. Furthermore they state that there are 12 major way of conducting a interview.
In this thesis only three of the different ways of interview will be presented, due to irrelevant for the research. Standardized interview can also be called structured interview and this type of interview means that all respondents receive the questions at the same time, and the questions is pre-decided Bryman & Bell (2003:116); Fontana & Fery (2005:702). In general it is very little room for variations in the response except when it is open-end questions. Unstructured interview is explained as follow. The interviewer normally just has an interview guide (Bryman & Bell 2003:119); Fontana & Fery (2005:705). This type of interview is often a informal one, were sequencing and phrasing of questions will vary from interview to interview. Semi-structured interview refers to a series of questions that is in a general form according to Bryman & Bell (2003:119). Furthermore the interviewers normally have some space to ask follow up questions when needed. Moreover the semi-structured interview and unstructured interview are often used in qualitative research Bryman & Bell (2003:118). In this thesis a semi-structured interview are used.

**Empirical data collection**

Primary data was collected from 7 interviews, the respondents were from education institutes. The interviews were according to Kvale (2009:39) so called qualitative research interview, with the purpose of understanding the respondent everyday life. Bryman & Bell (2003:119) call this for semi-structured interviews. The benefits with qualitative interview are that the interviewers can depart from the interview guideline and ask follow up questions depending on the answer that they get according to Bryman & Bell (2007:474). This method where chosen because the objective is gain better understanding on educations institutes decide their entry strategy.

The interview guide-line that was pre-decided one and a topic guide were sent beforehand to the respondents. A topic guide were sent so that they had time to prepare but not the actual questions so they could not give standardize answers according to Bryman & Bell (2007:474). The interviews were done in Swedish with the respondents from the Swedish universities and in English with the respondents from the London School of Economics and Political Science (LSE). Due to time and economic reasons the interviews were conducted over the phone.
The benefit with telephone interview is that it is time efficient both for the interviewer and the respondent, also it is a cheaper way to gain knowledge then face-to-face interviews. One of the other big advantages is that the interviewer cannot influence the respondents in the same way as face-to-face interviews (Bryman & Bell 2007:214). An additional advantage with interviews via telephone is that the interviewer and the interviewee is not in the same room, so things like; gender, ethnic background or class do not affect the answers to the same extent (Bryman & Bell 2007:214). According to Bryman & Bell (2007:216) the major disadvantage with not conducting the interview face-to-face is that the interview cannot read the respondents face expression that sometime more than the spoken word.

3.3 Sample

If the researcher wants to be able to generalize the findings the sample need to be a representative sample of the population according to Bryman & Bell (2003:91). In Sweden we have 47 universities, but not all are interesting in this study, due to the reason that some focuses their effort on the domestic market and their student. The information I gathered about universities in the UK, is that there are over a 300 institutes in the UCAS scheme (http://www.ucas.com). It is nearly impossible to conduct a study on all the universities both in the UK and in Sweden. The number of the respondents in this study is a little too small of a sample to make general conclusions from the whole population. The sample from the Swedish universities is about 12 percent, so the conclusions from the Swedish universities is more reliable and most likely they represent the reality quite good. The sample is representative because there are Swedish universities that do not focus on foreign students and therefore they are not interesting for this study.

The selection of the Swedish universities was built on a report from the Swedish national agency for higher education from 2010 and a statistics from SCB (2010:524). The list was compared so the research could be conducted on a strong basic. The first report was a list of educations institutes which had the most number of students on distance learning. The second list showed the size of the education institutes, in number of students.
It played a part in the selections process due to the fact it is more likely that a big school have international marketing. According to Bryman & Bell (2003:101) time and cost restrictions usually have impact on the sample size, this is also accurate for this study.

Due to time and cost restrictions the number of interview are limited. To reach a better sample, the decision was made to contact education institutes both in the Sweden, United States of America and United Kingdom. In the end six Swedish universities and one university from United Kingdom were interviewed.

According to Bryman & Bell (2003:357) most qualitative research is built on convenience or opportunistic samples, this is because the goal is to generate an in-depth analysis so the issue of representativeness is less important. This sample is selected though convenient sample because they were chosen on the premises on size and their likely hood of international presents. The research was built on interviews with the service industry and in more detail the education institutes. To the education institutes a standardize email was sent to the reception, asking for the contact information for the right person. After the gathering of the contact information to the right people, an email was sent as first contact and asked if they want to participate in the study. In the end of the collection of the theory a email was sent to each respondent asking for a date for the interview. The sample shall be representative for the education institutes marketing themselves abroad. This is because all the respondents have similar culture and values. This implies that this research can be implemented to a variety of countries. To see the full contact list and which one that participated in the study look at appendix 2.

3.4 Operationalization

Some times when you conduct a study the theoretical concepts cannot be used because the respondents may not understand the terminology. Therefore it is important to do a thorough operationalization to get high validity and reliability Bryman & Bell (2003:86). As mention above the empirical data were collected from interviews were the interview guideline where a pre-decided on. In appendix 3 you find the interview guide line, both in
English and in Swedish. Furthermore a summary of the interview is presented in appendix 4. In the following list the questions from the interview guide line are connected to the theoretical framework.

1 To give a relaxed feeling and not to go in to personal questions right away the interview started with the question, “Tell us little about your school”. With this opening question the purpose was to obtain some background information about the school. This question is related to Johanson & Vahline (1977:29) and that the decision on what entry mode to implements is due to companies’ current state; company’s past experiences; stability and access to resources and structure of the target market.

2 The question “How do you/you school perceive the global educational market today?” is connected to the Kim, et al. (1997:112), because competition is altering the market.

Furthermore Hemsley-Brown & Optatka, (2006:316) say that education institute has started to realize that they need to market themselves. It is connected because I wanted to see if the schools see it in the same way has the researchers do.

3. After that I go deeper in to the topic with the question “Does your school have an international marketing strategy today”. This is connected to Grönroos (1999:291) where he explains that internationalization is a process which the firm uses when gradually increases their international involvement. Here I want to understand the reason to not using international marketing strategy as well as understanding why it is used. Furthermore Johanson & Vahline (1977:29) is also connected to this question due to the current state of the company can influence the chosen strategy.

3b The follow up questions here is “If so to any specific countries” because deciding to enter a new market is an important and crucial decision according to Sanchez-Peinado, & Pla-Barber (2006:215). If they are specific her in their marketing actions to a particular country this can mean that they are aware that their differences between countries according to Blees (2003:56).
4 Has there been any major changes during the last couple of years? This question is connected to the globalization process and the changes it has caused according to Hill (1997:5). Porter (2004:287) states that globalization can be triggered by several reasons.

5. In the theory authors mention several different entry modes that the companies choose from so that why I have this question “What entry strategies exist do you know”. This is connected to Blomstermo et al., (2005:212) & Chung & Enderwick (2001:444), and their thoughts about different entry modes.

6 Questions number six is “When expanding in to a new market how do the institutes do it?” To use entry modes is relevant even to the service industry according to Blomstermo et al., (2005:212). The aim of asking this question is to gain better and deeper understanding how the institutes work with new markets.

7. According to Sanchez-Peinado, & Pla-Barber (2006:215) when deciding which entry mode to use the decision can be influenced by several different variables. That is why the question “How does your school decide which entry strategies to use?” is interesting to ask. Hopefully then I can get the answer to which variables is perceived to be most important, also to see if the variables is effect each other in some way.

8. When a company has decided to enter a new market it is not just entry mode they need to take into account also the entry barriers that exist. The question “When the school has entered a new market have they experienced any difficulties?” is associated with McAfee et al., (2004:461) & Winstead & Patterson (1998:297) and the large number of different barriers to entry. The barriers to entry can be perceived differently depending on the person analyzing according to Leonidou (1995:32) and Pehrsson (2009:17). Therefore the question about “Ask a follow up question on the topic of entry barriers” is interesting to know, because then we get a deeper understanding about the topic.

Also Karakaya (2002:382) & Blees et al., (2003:27) discuss that there are numerous entry barriers when trying to enter a new market. That is why it is interesting to ask the question 9. “What do the school perceived as the largest entry barrier?”
To do a thorough operationalization will help when analyzing the result, because the researchers have the possibility to go back and see how thought process went. Also it will increase the reliability and validity of the thesis. During the interviews the researcher realized that question number 5 was unnecessary.

3.5 Analysis Method

After the data collection is completed the data shall be analyzed as a part of this thesis. According to Bryman & Bell (2003:445) the qualitative data originates from observations or interviews, they mean that it is usually extensive material that is collected. This can be hard to analyze due to the fact that the material is unstructured says Bryman & Bell (2003:445). Furthermore Bryman & Bell (2003:446) is of the opinion that the most commonly used method of analyzing qualitative data is grounded theory and induction analysis.

The induction analysis means that the researcher continues the research until no divergence from the hypothesis can be found (Bryman 1997:99; Bryman & Bell 2003:447). The grounded theory is data that have been collected and analyzed on a systematic way during the research process (Bryman & Bell 2003:449). There are some that debate on what grounded theory actually means Charmaz (2000, p.510).

The data collected in this thesis is summarized in appendix 4. Furthermore the data is presented in a excel sheet where keywords from the interview is presented. This is done to make it easier to find patters between the respondents. After the collection of the empirical data the analysis of the date is done on a deeper level. The goal is to find patters in the keyword from the interviews. The keyword were places in the excel sheet after each interview and that is a good method according to Charmaz (2000, p.515). After the analysis is done the conclusions take place. In the end the research is aiming to give some practicable implications. In the end the researcher suggests what perhaps might be interesting research to conduct in the future.
3.6 Validity

Bryman & Bell describes validity as estimation on the quality of the research. They mean that it is used to establish if your conclusions can be perceived as sustainable or not. Bryman & Bell also mention how important it is to have the right research design that is connected to the purpose and a sample that reflects the population.

The conclusions of this thesis start to show patterns, but a bigger study needs to be made so it is possible to generalize the findings. The design of the study with semi-structured interviews raises the validity of thesis because the design fits the purpose.

In this thesis the guidelines for the interviews has been formed from the collected theory. The questions for the guidelines where connected to the operationalization and this increase the validity of the thesis. Furthermore the results are evaluated in the way that gives the highest validity from the research material. A discussion of the terminology and thorough operationalization where made to increase the understanding of the respondents.

Topic guides were sent to the respondents so that they had time to prepare themselves and give answers that were well considered. When the interviews were conducted they were recorded and notes were taken to make it possible to revisit them and freshen up the memory of the researcher. This was to make the validity higher due to the fact that we have the chance of revisit the actual taping of the interviews. To be able to increase the validity of this research, more empirical data could be collected, although the validity in this thesis is acceptable.

3.7 Reliability

Bryman & Bell states that the term reliability argues how applicable the results of the study are. It is a way of controlling the results and see if it would have turned out differently if someone else would have done the research (Bryman & Bell, 2003:288; Kvale 2009:263). Furthermore they state that if a study is conducted with high reliability the outcome should turn out similar regardless who performs the research.
Although they say that small differences are to be anticipated due to the researcher’s way of analyzing the results and how it can divert from researcher to researcher. This thesis gets better reliability due to the pre-decided questions. The investigator thinks that Swedish universities are similar, so a study with the same purpose will give comparable results, because of that the reliability is high. The transcriptions of the interview were sent to the respondent to confirm that the interview material was interpreted in the correct way.

This improves the reliability of the conducted research and this thesis. All of this compile to a reasonable reliability in this thesis. Through the discussions that were made in the reliability and validity sections it is accurate to think that the validity is higher than the reliability. The reason for this is that it is fairly easy to copy the research and do it again due to the careful explained instructions in conducting this thesis.
4. Empirical results

Empirical data

Keyword from international marketing

Keywords from entry mode

Continue on entry modes

Keywords from entry barriers

In the first part of the following chapter a short presentation of the respondents is presented. After that a comparison between the respondents is found. The key point of the collected information is then explained. In the next part the collected research from the interview is presented in a table sheet from a keyword perspective.
4. Empirical results

4.1 Empirical collection

The empirical data is collected from seven interviews, the persons that were interviewed comes from the contacted education institutes. These specific people where contacted due to their responsibility for the international marketing on their school or department.

- Per Nilsson from Umeå University, 9 May 2011
- James Browne from London School of economics and Political Science (LSE), 10 May 2011
- Olle Hoffman from Gotland University, 11 May 2011
- Ulrika Honée from Mid Sweden University, 11 May 2011
- Richard Stenelo from Lund University, 12 May 2011
- Linda Ingeman from Linnaeus University, 13 May 2011
- Cecilia Hillman from Chalmers University of Technology, 16 May 2011

Some background information about the school that was interviewed is presented in the next part. The students represented are fulltime and international, the international students consists of both freemovers and exchange students.

As it can be seen in the table below, in some aspects of the universities it is rather similar in size where 3 universities have above 20 000 students. LSE has the highest percent share of foreign student and the Swedish University with the highest percent share of 26,2 % is Chalmers University. All the numbers from London School of economics and Political Science is from the management department and not from the whole university. Linnaeus University is actually two schools that have emerged to one, and it has two campuses. Gotland University is one of the smallest universities in Sweden.
Chalmers is a technical University that only gives engineer programs. The collected data is going to be presented in an excel sheet, from a key words perspective. Furthermore in appendix five a summary of all the different interviews is accessible.

### Table 2: Comparison of respondent (author 2011)

<table>
<thead>
<tr>
<th>School</th>
<th>Number of students</th>
<th>International students</th>
<th>Programs</th>
<th>Partner University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gotland University</td>
<td>4550</td>
<td>100/1.6%</td>
<td>120</td>
<td>41</td>
</tr>
<tr>
<td>Mid Sweden university</td>
<td>21 500</td>
<td>600/3 %</td>
<td>55</td>
<td>147</td>
</tr>
<tr>
<td>LSE</td>
<td>10298</td>
<td>6885/67 %</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Umeå University</td>
<td>36 000</td>
<td>1700/5 %</td>
<td>150</td>
<td>720</td>
</tr>
<tr>
<td>Lund University</td>
<td>28 000</td>
<td>3800/14 %</td>
<td>200</td>
<td>680</td>
</tr>
<tr>
<td>Linnaeus University (LNU)</td>
<td>15 575</td>
<td>2 000/12,8%</td>
<td>138</td>
<td>500</td>
</tr>
<tr>
<td>Chalmers University</td>
<td>12 000</td>
<td>3153/26,2%</td>
<td>70</td>
<td>214</td>
</tr>
</tbody>
</table>

In this part some of the more interesting results from the data collect are presented, for further information look at table 2-4. Some exciting result from the information collection is that the respondents think that the same things attract students, like good education, a well know brand and a safe country. The introduction of tuition fees have forced the education institutes to start to think in a new way. Several education institutes now go revisit their strategy to adept them to the new market conditions, because they think it is needed to do so.

All the respondents also agree on the importance of partnership and good quality partners. To have partners that are of high quality will give you advantages towards your competitors. Then there are several different ways of partners and partnerships. In the barriers part the where the most differences between the respondent, but cultural dissimilarities and difficulties with the migration board seems to be the biggest entry barriers.
In the following part an explanation on which tables is connected to which questions in the interview guide line is presented. Table 3: Keywords from international marketing represent question number 1 to 4. Table 4: Keywords from entry mode represent questions number 6 and 7. Finally table 5: Keywords from entry barriers represent questions number 8 and 9 in the interview guide line. The keywords from the Swedish interviews are translated by the researcher. The keywords that are used in table three to five is the actual translation of word that the respondent used, from the researcher own translation.
4.2 Keywords from international marketing

Table 3: Keyword from international marketing (author 2011)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Regions/ countries</th>
<th>What attracts students</th>
<th>Globalizations</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Umeå University</td>
<td>Sweden as a brand</td>
<td>Turkey, Poland and Germany</td>
<td>Good educations, safe country</td>
<td>Need to do international marketing</td>
</tr>
<tr>
<td>LSE</td>
<td>Brand awareness</td>
<td>North America, Asia and Europe</td>
<td>Good educations, reputation,</td>
<td>Need to do international marketing</td>
</tr>
<tr>
<td>Gotland University</td>
<td>Brand awareness</td>
<td>North America and Europe</td>
<td>Good educations</td>
<td>Introduction of fees, Need to do international marketing</td>
</tr>
<tr>
<td>Mid Sweden University</td>
<td>Strengthen the brand towards Swedish student</td>
<td>Work on the contacts they have, not countries or regions</td>
<td>Good educations, liberal educations</td>
<td></td>
</tr>
<tr>
<td>Lund University</td>
<td>A establish brand</td>
<td>All the world, to create a global classroom</td>
<td>Good educations, reputation, safe country</td>
<td>Fees made use go more international</td>
</tr>
<tr>
<td>Linnaeus University</td>
<td>A new brand that needs to be established</td>
<td>Europe will problem a very interesting market</td>
<td>Good educations, good service</td>
<td>For the University the introduction of fees was bad timing</td>
</tr>
<tr>
<td>Chalmers University</td>
<td>A well know brand in a niche market</td>
<td>15 that is regarded as important, China, India, Turkey, USA for example.</td>
<td>Broad research, technical university, good programs</td>
<td>Introduction of fees force us to do more</td>
</tr>
</tbody>
</table>
### 4.3 Keywords from entry mode

Table 4, Keywords from entry mode (author 2011)

<table>
<thead>
<tr>
<th>University</th>
<th>Strategy</th>
<th>What is important</th>
<th>Participation on fares</th>
<th>Agent</th>
<th>ERASMUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Umeå University</td>
<td>Strengthen the brand and recruit more students</td>
<td>To choose partners carefully, clear strategy</td>
<td>Yes, both abroad and national</td>
<td>Yes, but no specific once</td>
<td>Yes, is part ERASMUS is used</td>
</tr>
<tr>
<td>LSE</td>
<td>To use our advantaged as a strategy</td>
<td>Networks and good quality partners</td>
<td>Yes some big once</td>
<td>Yes, agent, a lot</td>
<td>Yes, ERASMUS is use to some extent</td>
</tr>
<tr>
<td>Gotland University</td>
<td>Rethinking strategy due to globalization</td>
<td>Personal contact, good relations, target group</td>
<td>No, fares, the school is not big enough</td>
<td>Yes, but no specific once</td>
<td>Yes, ERASMUS is use a lot</td>
</tr>
<tr>
<td>Mid Sweden University</td>
<td>Good relations</td>
<td>To work with what you got</td>
<td>Yes, some of them</td>
<td></td>
<td>Yes is part of the network</td>
</tr>
<tr>
<td>Lund University</td>
<td>To be active on the market</td>
<td>To have a neutral marketing that can be implemented on several markets</td>
<td>Yes, both abroad and national</td>
<td>Yes</td>
<td>Yes and ERASMUS MUNDUS</td>
</tr>
<tr>
<td>Linnaeus University</td>
<td>Are in the process of formulate strategy</td>
<td>Use the connections we have and the move forward</td>
<td>Use fares and tours to spread the brand</td>
<td>Yes, se agents a lot because they have a network</td>
<td>Yes, ERASMUS is use</td>
</tr>
<tr>
<td>Chalmers University</td>
<td>Visibility and personal meeting</td>
<td>To have good relations and nurse them</td>
<td>Yes, both abroad and national, where it is interesting to participate</td>
<td>Yes, a small number of agents, in selected countries.</td>
<td>Yes and ERAMUS MUNDUS</td>
</tr>
</tbody>
</table>
4.4 Continue on entry modes

Table 4: Continue on entry modes (author 2011)

<table>
<thead>
<tr>
<th>University</th>
<th>Alumni</th>
<th>Study destination Sweden</th>
<th>Partner</th>
<th>No enough resource</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Umeå University</td>
<td>Alumni, use the network to attract new students</td>
<td>Yes</td>
<td>Traditions on international collaborations, 700 partner university</td>
<td></td>
</tr>
<tr>
<td>LSE</td>
<td>Yes is a big network and it is used a lot</td>
<td>No</td>
<td>Traditions on international collaborations, 30 partner university</td>
<td></td>
</tr>
<tr>
<td>Gotland University</td>
<td>Want to establish a Alumni network</td>
<td>Yes</td>
<td>Traditions on international collaborations, 700 partner university</td>
<td>Yes, do not have enough resource</td>
</tr>
<tr>
<td>Mid Sweden University</td>
<td>Alumni a small network</td>
<td>Yes</td>
<td></td>
<td>Yes, do not have enough resource</td>
</tr>
<tr>
<td>Lund University</td>
<td>Not well developed</td>
<td>Yes</td>
<td>Traditions on international collaborations, 700 partner university</td>
<td></td>
</tr>
<tr>
<td>Linnaeus University</td>
<td>Want to establish a Alumni network</td>
<td>Yes</td>
<td>Traditions on international collaborations, 700 partner university</td>
<td>Yes, do not have enough resource</td>
</tr>
<tr>
<td>Chalmers University</td>
<td>Yes a big network. 12000 members</td>
<td>Yes</td>
<td>We take care of our relations, because they are important to us.</td>
<td></td>
</tr>
</tbody>
</table>
### 4.5 Keywords from entry barriers

**Table 5: Keywords from entry barriers (author 2011)**

<table>
<thead>
<tr>
<th></th>
<th>Cultural barriers</th>
<th>To get a VISA</th>
<th>Plagiarism</th>
<th>Partner</th>
<th>Studera.nu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Umeå University</td>
<td>Yes, language and cultural differences can create barriers</td>
<td>Sometime problem with the migration board can arise</td>
<td>Counterfeit can sometime be a problem</td>
<td>Good quality partners helps to avoid problems</td>
<td>Yes, can lose students to others</td>
</tr>
<tr>
<td>LSE</td>
<td>Yes, cultural differences are getting more common</td>
<td>Counterfeit can sometime be a problem</td>
<td>Good quality partners helps to avoid problems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gotland University</td>
<td>Language and cultural differences can be a hard to overcome</td>
<td>Sometime problem with the migration board can arise</td>
<td>Personal contact is important because of competition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid Sweden University</td>
<td>Yes they are likely to arise</td>
<td>Sometime problem with the migration board can arise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lund University</td>
<td>No, Rarely a difficulty due to good relations</td>
<td>The process of getting a visa can be problematic</td>
<td>Counterfeit can sometime be a problem</td>
<td>Good relations help to stop barriers</td>
<td>No, good reputation helps against this problem</td>
</tr>
<tr>
<td>Linnaeus University</td>
<td>Yes, cultural differences is likely to arise</td>
<td>Can become a problem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chalmers University</td>
<td>Yes, cultural issues is more common now</td>
<td>It is a potential problem, the we are prepared to deal with</td>
<td>It happens, but not a big problem</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Analysis

International marketing strategy

Entry modes

Entry barriers

Research question

In this part the theoretical chapter and empirical data is connected. Furthermore the patterns of the empirical data are explained. In the end the research question is once again presented.
5. Analysis

5.1 International marketing strategy

Hill (1997:5) say that the market is changing due to the fact that the trade barriers are removed, the market is now a global market place with more actors. Globalization has altered the market and forced the universities to take action. Several of the respondents say that their strategy needs to be adapted to the new circumstances that they face, like introduction of study fees. If they do not change they are at risk for falling behind their foreign and national competitors. All respondents say that good educations are not enough to attract students. They now know more and they demand more from the education institutes they attend. So high-quality service, as well as known brands and state of the art research is also things that are important when students chose universities. A unique characteristic is important to bring to the table according to Albaum & Duerr (2008:373). To stand out from the crowd and have appropriate marketing is an important fact for the universities so that they can be able to distinguish themselves from the competition. This becomes more important though the market will never be the same, and there are just so many undergraduates to compete for according to the researcher.

The universities that are active on an international market felt that it was necessary to be a part of the global market, so they could attract foreign students. Hemsley-Brown & Optatka, (2006:316) & Ivy (2001.276) explain that education institutes have realized the need for international marketing. The Swedish universities claim that with the introduction of study fees, it has become even more important to take part in international marketing. In a market where everything is more alike than different, the universities need something to distinguish them from others or they will disappear in the noise. This is where the unique features comes in; good educations, a safe country and a good reputation where stated by the respondent as reasons to choose a university. Ivy (2001:276) states that the aggressive marketing is growing within the education industry. I am inclining to agree with Ivy’s statement that aggressive marketing is growing, simultaneously as it is necessity to have a changing environment to attract scholars.
Grönroos (1999:291) state that internationalizes is when a firm gradually increases their international presence. The changes in the market demands attention from the universities, if you want to have international students you need to be noticed, this is why Universities like Lund University, Umeå University, Mid Sweden University and LNU wants to be on the global market.

Some stated that they do not need as much marketing as others due to a good reputation (LSE). Others say that we are taking it slow to make sure that the right decisions are made (Mid Sweden University). At the other end we have those that put a lot of effort into marketing to make sure that they get a lot of applicants (Lund University and Umeå University). To have well known brands is an advantage towards their competitors although they do not need to spend as much resources on marketing. It is also dangerous to think that you are unreachable, thou the competitors can slowly gain market shares without you current knowledge.

Furthermore most of the respondents direct their marketing on the regions where they have had many applicants and good relations former years. Entering a new market is quite hard, by directing your marketing effort towards a market where you have some sort of recognition is a good strategy. According to Sanchez-Peinado, & Pla-Barber (2006:215) entering a new market is a difficult and hard decision that needs to be made, so every chance to facilitate is welcomed. The answers from the respondent’s shows that it differs vastly when it comes to size and forward thinking, there are not a lot of Universities that have such a well known brand that marketing is not necessary. Making the right decision is important according to Sanchez-Peinado, & Pla-Barber (2006:215) who claims that wrong decisions can have a big impact on the Universities future.
5.2 Entry modes

The respondents do not refer to entry strategies as entry mode or use the theoretical concepts stated in the theory. They use the term strategy for both the overall concept and throughout the levels of entry modes. The reason that they are not using the correct terms is probably because they do not have that type of framework. Entry mode is a complex subject with many levels to go through and understand therefore it is understandable that the respondent do not use the theoretical framework.

Furthermore it is not certain that all entry modes from a manufacturing perspective can be implemented on a service firms, as Ekeledo & Sivakumar (2003:69) & Brouthers & Brouthers (2003:1180). The researcher in this study is inclined to agree with Ekeledo & Sivakumar (2003:69) & Brouthers & Brouthers (2003:1180) that entry modes is different to the service sector compared to the manufacturing sector. Furthermore result indicates that the educations sector is different from a normal service sector. A normal service sector provide some sort of product, even if it not a physical one. Albaum & Duerr (2008:373) underline how important it is to bring a unique characteristic to a partnership. It is a concept of entry mode that a partnership of some sort is use. If the research had been done on another type of service firm the result on what effects the decision making process about entry mode might be different. The education institutes is a very specify case to study.

All the Universities except Gotland University and LNU have developed an international strategy and a vision that they work with. Linnaeus University has started to work out an international strategy and has created a project group that is going to implement their strategies. The Gotland University do not have a fully develop international strategy though they do not pursue international students. Johanson & Vahline (1977:29) and Sanchez-Peinado, & Pla-Barber (2006:215) agree that being prepared is important when you want to succeed with your strategy. Linnaeus University does not have an international strategy just yet, because they have focused their effort on the domestic market. To have a strategy is equally important as important due to the fact that our colleagues can always go back to that document to get reminded of the settled goals for the organization.
Blomstermo et al., (2005:212) say that service firms also use entry mode when entering a new market, which is confirmed by the researcher. But the data in this study suggest that the entry modes from a manufacturing perspective need to be adapted to the service firms. The data did not show any indicator that education institutes enter a new market without having some connections there. Trying to establish overseas contacts is something every respondent try to do before entering a new market. To have contacts makes the process easier because they have knowledge about the market that the university lacks. By gaining knowledge from local sources the Universities has got better chances to adapt their strategies to the new market.

The overall consensus between the universities was that personal contact and partnerships is used frequently when entering a new market or maintaining a position on a market. All the respondents use some kind of network to reach new students. Alumni is one network that where particular used in LSE and Chalmers University. Chalmers University is the only Swedish university in this study that has a well develop alumni network. Among the Swedish respondents there is no such tradition, but all the respondents have seen the potential with the network and will continue to develop it. It is a good effort but it needs a lot more work before the alumni network reaches the level in which it is used abroad.

Another Swedish network is Study Destination Sweden where Swedish universities are members. SDS is a marketing effort to promote Sweden as a good choice for studies. It is in cooperation with the Swedish Institute and the marketing is not from one university in particular but for marketing Sweden as a whole. The universities can choose if they want to be part of this network or not, but all the respondents where. A partnership of some sort is increasing in use according to Ning (2008:771) and Shenkar & Zeira, (1987:546). All the universities that were interviewed were using partners of some sort. Example on this is partner universities or agents that can both be contractual or not. Partner universities are used to facilitate exchange of students and teachers between universities. Even if Linnaeus University do not have a well defined international strategy they still have 500 partner universities, Umeå University is one of the universities in Sweden that has the most partner universities of all the respondents.
ERASMUS is an exchange network, where the respondent find partner universities where they can exchange students and teachers. The network is voluntarily for the universities to be part of, but all the respondent are in it. This is a network directed towards the European market but there is a corresponding network between Europe and the rest of the world, which called ERASMUS MUNDUS. Chalmers university has it focus on freemovers therefore is it this partnership not of great importance, even if they are members. All the universities participate in the ERASMUS network, some focuses on it more than others. Chalmers University and Lund University also said that they are part of the ERASMUS MUNDUS network.

Partnership is important according to Ning (2008:771) and Shenkar & Zeira, (1987:546) and therefore it is a good recommendation to develop this partnership before going in to new markets. It also brings credibility to the university to participate in a network where most universities are present. To utilize this opportunity is a good strategy that will help a university in is international venture.

To be noticed on an international market Umeå University, LSE, Linnaeus University, Gotland University, Chalmers University and Lund University all participate in different fares both national and international. This is done to boost the awareness of the brand, and to build relations between potential partners. If you are not seen in the international market the University can lose potential students according to the investigator. Better opportunities abroad can be a reason for wanting to enter a global market according to Bradley (2005:2). Even if someone else see potential opportunities each university shall evaluate before venture in to a new market because what’s good of others main not be good for you.

Sanchez-Peinado, & Pla-Barber (2006:215) is connected to the variables that influence an entry mode. Furthermore the researcher could only see a few variables that influence the choice of entry mode. One of them is what the circumstance the potential market has. The size of the university also has an impact on what international marketing they do and how much they choose to invest in it. Universities often choose to direct their marketing towards regions and countries where they are already a known brand.
The reason for that just a few variables influence the choice of entry mode can be the type of service firm that the education institutes are. If the research were conducted on other types of service firms more variables might influence the choice.

If the university has a tradition of international presence it is most likely that they will continue working internationally. Lund University, LSE, and Chalmers University have had a long tradition of international exchange, they will continue to develop their international strategies further. One of the universities that merged in to Linnaeus University has had a long tradition of international exchange. They explored this further after the merger and now it is one of the biggest foreign exchanges universities of the respondents. To build on past experience is a good strategy to lower the possible barriers that might arise. A brand name can be quite valuable when you want to elaborate a potential partnership. Linnaeus University used the brand of Växjö University’s to increase the credibility of a partnership with Linnaeus so that they can attain good quality partners. LSE and Lund University also use their brand name to attract students and potential partners. One warning is to be carefully with our brand, and do not over use it.

5.3 Entry barriers

Entry barriers are present at all potential new market, but it is how you perceive them that make the different. Pehrsson (2009:17) thinks that entry barriers are experienced differently depending on the person looking at them. The researcher in this study is of the same opinion. All people are different and how we react on certain is not always the same as others. Therefore dose the researcher of the study agrees with Pehrsson (2998:17).

Between the respondents we have some differences as well as similarities. One barrier that all the respondents talked about was the culture barrier. This type of barrier is more common now than it has ever been. Blees (2003:56) thinks that cultural barriers can have big impact on the firms’ success. Therefore it is important to be aware of the culture of the market that you want to penetrate.
Good relations can be the answer to make the transition easier. Chalmers University and Lund University were one of those who talked about the importance of good contacts. If you care for the contacts you have they can be of great help when increasing your international presences. Most of the time the contacts have great insight to the market they are located on, and therefore they can give you tips on how to manage and behave on a foreign market.

One more barrier that all Swedish universities but Gotland University talks about are that of the migration board can appose, due to the difficulties to get a visa in time for the start of the semester. Some of the universities have contacted the migration board to try to eliminate this problem, and they have said that if the study fees are paid before 15 of June is shall not be a problem. To this Porter (2004:13) can be connected though he talks about government policy as a barrier to entry. Chalmers University expressed a real concern about this potential problem. If it does not work with the migration board Sweden can be seen as a country with good quality education but it is hard to get a visa in time for the semester. This possible problem can be a really bad one for the Swedish Universities. The researcher think it is frightening that the universities have not done more to eliminate this problem. When they start to realize that it is actually a problem it can be too late to find a solution to the problem. Student will not arrive in time for the beginning of the semester and everything falls apart.

Umeå University and Mid Sweden University expressed concern about studera.nu, where it is possible for universities in Sweden to lose potential student to other universities due to the admission process. I think this type of problem does not exist if the university has the right programs and effort the things foreign students want.

Karakaya (2002:382) & Blees et al., (2003:27) have a whole list of entry barriers that can arise depending on the situation. Bad relations and partnerships can be barriers to overcome, therefore is important to maintain the good relations and partners you have. Lund University takes this very seriously and evaluate every current contact before extend a contract, they want quality before quantity according to Stenelo.
It is always good to evaluate the relations you have so that you can get rid of the once that is not beneficial for you. Furthermore you can also make sure that your strong connections remains strong and tie them to your organizations ever more. In the next chapter pattern finds is presented and connected to the research question.
This chapter contains a discussion based on the theoretical chapter and empirical findings. This is a link to the research question, where various patterns are discussed and finally some conclusions are made.
6. Discussion and conclusion

6.1 Discussion

The data that is collected suggest the pattern that the Swedish universities are quite similar in most cases. They all try to establish themselves in a changing market, which has thrown a curved ball at them with the introduction of tutoring fees. Strategic modification needs to be made or else they won’t keep up with the market. The smaller universities try to focus on a European market, to make sure foreign students still come to their universities. In the meantime the big Swedish universities like Lund University and Chalmers divide their focuses between Europe and students from outside the European Union.

One further pattern that can be distinguished is the preference for different kinds of partnerships that the universities use. Agents, partner universities, ERASMUS, foreign contacts all play a significant part in the universities international strategy. The one that stands out in this pattern is LSE, they do some marketing and participate in some fares and have exchange program but for the most part they rely on their good name to attract students. This type of strategy can be dangerous according to person doing research. Because depend on a good name can be bad if you lost it or any of our competitors gain the upper hand.

Entry barriers are something that is harder to see pattern in, because most of the universities have not experience so much obstacles when entering a market. One pattern was found where among the Swedish Universities. They expressed concern about the migration board now that tuition fees are introduced from the fall semester of 2011. Once aging we see that the universities are more similar than different.

The research question is: Which entry modes is a good choice for service institutes to use when entering new markets? To answer this questions first of all it need to be understood that entry modes from a manufacturing perspective cannot be directly implemented to the service sector is the person conducting the research belief.
From the information gathering the answer to the research question is that when an education institute goes into new markets they establish contacts, relations and partnerships. The entry mode they use is some sort of strategic alliance between the university and agent and/or a partner university in the other country. Strategic alliances can be things like joint venture, licensing or contracting. An international joint venture is the strategy of choice when education institutes want to expand into a new market. So the answer to the questions is international joint venture or some other type of strategic alliance is the best choice to use when entering a new market according to this study.

With that background the following conclusions to this study are made. Just make sure that entry mode decisions are well based on accessible facts because what is best for some other business may not be the best choice for you.

### 6.2 Conclusions

- International presence is getting more and more common and in some cases it is absolutely necessary to adapt to an international market to survive.

- To obtain your goals a well developed international marketing strategy is key. Do not get stuck in old ways, renew the strategies on a regular basis. So that you actually do think forward and do not get stuck in the past.

- Grow contacts. Be part of every opportunity where you can get new contacts and expand your network like fares.

- Know the market that you want to enter.

- Use partner universities to help reach foreign students.

- Use agents that have good knowledge about that market, which later on can help you with knowledge on how to behave and go forward in your marketing efforts.
- Alumni network is a good you to keep I touch with old students, and then they can help you reach new ones.

- ERASMUS network is a good opportunity to develop contact. When the ERASMUS network is fully developed go to the ERASMUS MUNDUS network, because it is easier to find established contact in an already present network.

- When entering a new market, make sure you know the potential barriers that can arise. If you have well built up trusted relations on the foreign market it is easier to be successful in the new market.

- Finally use the contacts you have to develop international joint venture when entering new interesting market.

To sum up, international present is most of the time key to survival on a global market. The decisions that are made shall represent the organization that stands behind it. Entry mode decision is no easy process regardless of type of business, size or experience. International joint venture is an entry mode that gains attention among firm, and it getting more popular to use when entering a new market.
7. Recommendations

Suggestions for further research

Practical implications

In the next chapter the suggestions for further research is presented. The suggestions are made from the researchers’ point of view.
7. Recommendations

7.1 Suggestions for further research

Entry modes from a service perspective need to be more researched so that it can be decided if manufacturing concepts can be implemented to the service industry. It is still possible that other types of service firms do things differently. Furthermore, if it is not possible to use manufacturing concepts research entry mode to see which the entry modes from a service perspective is. One the basis of implementing entry modes in international marketing strategy, research needs to be done how these choices affect the business. A larger study were both Swedish and foreign educations institutes are included need to be done to see if the recommendations in this study also can be implanted around the world.

Distance learning is growing at most universities and with the development of technology it is possible to attend distance learning courses from another country. So a suggestion for further research is to investigate if distance learning courses is attended by foreign students, if that is the case exporting is also used as an entry mode to a new market.

7.2 Practical implications

This study is only part of the research that needs to be done to close the gap in entry mode choice from a service perspective. The thesis helps the education institutes to realize how they shall work with international marketing strategy and what they need to be done to be successfully.

Is it possible to start up subsidiary educations campus in a different country is also a possible development for education institutes. In the home country that is already done, a university has campus in more than one city, for example Linnaeus University and Lund University.
8. References

In this thesis a lot of sources have been used. In the following pages all of the references are listed in alphabetical order, it starts with articles, then books, reports and the last one is internet sources.
8 References

8.1 Articles


Ning Li (2008) “Religion, Opportunism, and International Market Entry Via Non-Equity Alliances or Joint Ventures” *Journal of Business Ethics* 80 pp. 771–789


Wang, Wu, & Lan, Song (2010) ” Optimal Market Entry Modes for Multinationals: Export Trade, Greenfield Investment, M&A or Joint Venture”


**8.2 Book**

Bain, J. (1956) *Barriers to new competition*, Harvard University Press, Cambridge,


*Carlson S. (1975) How foreign is foreign trade? A problem in international business research*, Almqvist and Wiksell international Uppsala


### 8.3 Report

Glossary of foreign direct investment terms and definitions, 4th Edition

Begreppsmanual för uppföljning av högskolan 2008, Högskoleverket

*Kartläggning av distansverksamheten vid universitet och högskolor*, 2010, Högskoleverket, Analysavdelningen

Statistisk *analys* 2010, Högskoleverket, Analysavdelningen


Konvention om erkännande av bevis avseende högre utbildning i Europaregionen, 2001

### 8.4 Internet


The next chapter is the thesis appendix gathered. Appendix 1 is the summary of the definition on barriers to entry. The contact list for potential interview is in appendix 2. The interview guide line is in appendix 3. The interviews are summarized in appendix 5.
# Appendix

## Appendix 1 Definitions entry barriers

**Stigler, 1968:67**
A barrier to entry is a cost of producing (at some or every rate of output) that must be borne by firms seeking to enter an industry but is not borne by firms already in the industry.

**Ferguson, 1974:10**
A barrier to entry is a factor that makes entry unprofitable while permitting firms to set prices above marginal cost, and to persistently earn monopoly return.

**von Weizsacker, 1980:400**
A barrier to entry is a cost of producing that must be borne by a firm seeking to enter an industry but is not borne by firm already in the industry, and that implies a distortion in the allocation of resources from the social point of view.

**Gilbert, 1989:487**
An entry barrier is a rent that is derived from incumbency.

**Carlton & Perloff, 1994:110**
A barrier to entry is anything that prevents an entrepreneur from instantaneously creating a new firm in a market. A long-run barrier to entry is a cost necessarily incurred by a new entrant that incumbents do not (or have not too) bear.

**Fisher (1979:23)**
A barrier to entry is anything that prevents entry when entry is socially beneficial.

**Carlton and Perloff (1994:110)**
A barrier to entry is anything that prevents an entrepreneur from instantaneously creating a new firm in a market. A long-run barrier to entry is a cost necessarily incurred by new entrant that incumbents do not (or have not had to) bear.

**Bain (1956:3)**
A barrier to entry is an advantage of establish sellers in an industry over potential entrant sellers, which is reflected in the extent to which establish sellers can persistently raise their prices above competitive levels without attracting new firms to enter an industry.

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*McAfee et al. (2004:461–462)*
## Appendix 2 Contact list

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<td>Yes</td>
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<td></td>
<td>Yes</td>
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<td>No time, lot of requests</td>
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Appendix 3 Interview guide lines

1. Tell us little about your school and your current international marketing?

2. How do you/you school perceive the global educational market today?
   For example Competitiveness of the market? Does the school have any unique aspect that attracts?

3. Does your school have an international marketing strategy today?
   3b If so to any specific countries/regions?

4. Has there been any major changes during the last couple of years?

5 What entry strategies exist do you know?

6. When expanding in to a new market how do the institutes do it?
   (Fallow up questions to specific entry mode, depending on which one they use.)
   - Entry mode 1 Exporting – Specific question related to that one
   - Entry mode 2 JV
   - Entry mode 3 FDI

7. How does your school decide which entry strategies to use?

8. When the school has entered a new market have they experienced any difficulties?
   Example: language barriers, law and regulations, cultural barriers

8b. Ask a fallow up question on the topic of entry barriers

9. What do the school perceived as the largest entry barrier?
Appendix 4 Summary of interviews


Summary of interviews med James Browne on London school of economics and political science 2011-05-10

James Browne works on the management department of LSE (London school of economics and political science) and the school has a lot of different academic departments. The University has 10298 full time students and 6885 foreign students. According to Browne the school were one of the first really international school in the world, they are still vary international. Because of this they also have a well know brand with good reputation around the world. Their good reputations also give the benefit that they do not need to so much marketing. They get up to 15 applicants per slot so most people already know about them even if they do not market themselves. Because of their good reputation and less need for marketing effort they can canal the money elsewhere. Browne have notice a change in the student, they are not just looking for a good reputation on the school they are know also looking for the best education programs. The globalization of the education markets has had an impact on the university. Students know demand better service, more programs are taught in English and the whole market has open up. One of the departments focus regions are North America due to the large number of qualitative universities there. Of course Europe gets some of the attention as well, furthermore they get a lot of applications for Asia. The marketing message is changing because the students are more aware, they are looking for more than just a school. They also want something that will help their carrier. Due to this change the marketing message needs to be more sophisticated and convincing.

The marketing that the department of management does is mostly directed towards the partnership universities. They have a lot of different partnership, to make it possible to have an exchange program.

The university use very little aggressive marketing they instead use networks to contact potential students, alumni is one example if this. Also they participate in fair where some alumni can be ambassadors for the university but also people that work in the school, the student advisers are big part of this.

According to Browen the biggest problem with new or current partnership is reputations issues of the potential partner. The university wants to make sure that the students have the qualification and ability to manage studying at the Londons School of Economics and Political Science. If the school is going to go in to a partnership it needs to be mutual beneficial and today the university is very selective when choosing a partner. Furthermore also cultural difficulties are getting more and more common due to globalization.

Sammanfattning av intervju med Ulrika Honée Mitt Universitet 2011-05-11

Mitt Universitet är en ung skola som startade 1993 och blev universitet 2005. I grunden är det tre högskolor som gått samma Sundsvall/Härnösand och Högskolan i Östersund för att
bildat ett stort lärosäte. Universitetet har i dag ca 21 500 studenter, lärosättet är spritt över 3
stycken campus i mellan Sverige. Universitetet ger ca 55 program var av 15 är internationella
och ca 600 utbytes studenter eller freemovers. En av de stora förändringar de ser är att
marknaden har blivit större efter införande av terminalsavgift. På grund av detta måste
universitetet börja tänka om i deras strategier, för de tror att studenterna som nu ska börja
betalet förväntar sig bättre service och utbildning. Vissa program är mer gångbara än andra
internationellt vissa inte, de som är mindre gångbara är ofta den spets utbildningar.
Studenterna vet inte riktigt vad det ska göra med den utbildningen. Det som universitet bör
göra är att marknadsföra sig mot rätt målgrupp, alltså till de studenter som kan tänka sig
Mitt Universitet, och då främst mot dem som är med i ett utbytesprogram och freemovers.

Universitet har samarbeten med flertalet skolor i både nord Amerika och Europa. Honée säger
att lärosättet inte åker på mässor det de anser sig inte kunna mäts sig med de stora skolorna
där. De vill hellre satsa på att odla kontakter som universitetet kan ha nytta av under lång tid.
De vill även jobba med att få varumärket mer samlat så det blir lättare att förmedla ett
budskap till studenterna. Honée påpekar även att universitet inte är så beroende av
internationella studenter som vissa andra lärosäten, därför tar lärosättet det lugnt med
deras internationella marknadsföring. Situationen är ny och därför skyddar vi långsamt för
att kvalitets säkra det vi gör i stället. Under det senaste året har lärosättet vetat om att stora
organisatoriska förändringar kommer att komma med inträdet av en terminals avgift och de är
just nu mitt i denna process. De organisatoriska förändringar för även med sig förändringar i
strategier men där måste vi vänta och se vad som kommer att hända säger Honée. Honée
utvecklar detta vidare till att universitet vill bli del nätverka av befintliga nätverka för att på
det viste att attrahera nya studenter. Som till exempel att samarbeta med en agent för att
kunna använda sig av den personens nätverka. Den personen hjälper till att etablera
kontakten med nya studenter. Även att förjuda och bredda arbetet med dem partnerskolor
och företag de har för att på så vis nå ut till utbytesstudenter. Skolan jobbar även med att
etablera ett Alumni nätverka, ERAMUS och destination Sweden. Där de får hjälp av en annan
organisation som marknadsför Sverige som helhet. Destination Sweden riktar sig mot
marknader så som Indien och Kina som universitet själva inte har någon möjlighet att nå.

Då det nu är många nya spelar på marknaden blir personliga kontakter viktigare och står
skolan utan de så kan det bli problem att nå utbytesstudenter. Att jobba på detta viste är en
förtroende fråga där universitet litar på att agenten är ärlig. Skype konferenser där de
potentiella studenter gör ett engelskt prov där du på så vis kan vara säker på att det är rätt
person som gör provet. Saker som språk och kulturella barriärer kan vara svår överkomligt.
En personlig åsikt från Honée är att den typ av antagning vi har nu där allt samlas på hög
funkar för de svenska studenterna. Utbytesstudenter ska i dag söka till en utbildning och
betalet anmälningsavgift innan de ens vet om de är behöriga. Idag finns inte heller
möjligheten att svara på om en student är behörig innan ansökan kommit in.
Detta tycker Honée är fel då avgiften inte skulle behöva betalas för än studenten vet om den är behörig eller inte. Systemet behöver göras om, i alla fall för den delen av antagning som rör studenter utanför EU. Studera.nu tycker Honée kan vara en stopp kloss då den är en kränglig sida dock tror inte att samarbetet kommer att avbrytas.

Sammanfattning av intervju med Olle Hoffman, Högskolan på Gotland, 2011-05-11


Då det internationelle samarbetet funkar väldigt bra för att förbereda lärosätet för ett inträde in en ny region har universitetet sällan sett kultur som en svårighet. Process med att skaffa visum kan i vissa fall vara svårt då antalet svenska ambassader är relativt låg i världen. Under tidigare år har universitet haft problem med förfalskade intyg m.m. dock är detta inget som är en framträdande hinder under de gångna årets intagnings. Då universitet har ett gott rykte och en framträdande position i den svenska utbildnings världen ser inte Stenelo studera nu som ett hinder.
Sammanfattning av intervju med Linda Ingeman, Linnéuniversitet 2011-05-13


Som tidigare nämnt är den internationella närvaron låg utifrån rena marknadsföringssatsningar/PR-kampanjer därför har även inga större svårheter upptäcks. En av de stora svårigheterna är nu att marknaden är en helt annan än vad den tidigare var efter införande av avgift. Vidare är även att hitta vilken målgrupp lärosäten ska rikta sig mot och vilka länder eller regioner för att nå dem som är troligast att söka till universitet. När Ingeman utvecklade ämnet kom det fram att kulturella svårigheter var troligt att uppkomma vid ett potentiellt inträdde en ny marknad och att de kanaler man väljer måste vara väl avvägd utifrån vilka nationalitet/kulturer man vill attandra.
Sammanfattning intervju med Cecilia Hillman, Chalmers University 2011-05-16


De använder sig av agenter då de är en bra samarbetspartner som bland annat kan förmedla mycket kunskap om den marknaden till Chalmers. Arbete med partner universitet är A och O för lärosätet anser Hillman därför är det viktigt att vårda dessa relationer. Deltagande på mässor i intressanta länder en viktig del i synliggörande och personliga möten med blivande studenter.

Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.